Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Modernizing the E-rate	)	WC Docket No. 13-184
Program for Schools and Libraries	)	

COMMENTS BY THE PENNSYLVANIA ASSOCIATION OF INTERMEDIATE UNITS (PAIU)
RELATED TO THE E-RATE 2.0 NOTICE OF PROPOSED RULEMAKING

The Pennsylvania Association of Intermediate Units (PAIU) is a non-profit organization comprised of Pennsylvania's 29 intermediate units. Pennsylvania's IUs were created by the General Assembly to provide cost-effective instructional and operational support services to school districts, charter schools, and over 2,400 non-public and private schools, as well as provide direct instruction to more than 50,000 Pennsylvania students.

Additionally, Pennsylvania's IUs are the consortia leaders of 26 regional wide area networks, providing cost effective broadband and internet connectivity through aggregation of demand. The 26 regional broadband networks are connected together through the statewide PAIUnet backbone, thus creating a statewide, high-speed educational network that is 50 times faster and 95% less expensive than using the commodity Internet to connect to one another.

PAIU is pleased to submit comments and applauds the Commission for its efforts to update and streamline the E-rate program. As you are well aware, the NPRM was expansive in its scope and because it contained so many competing proposals, we often found it difficult to conceptualize how they would work in conjunction with one another. Because of this, and because of the sweeping reforms that are being proposed, we strongly encourage the Commission to narrow the scope of the reforms and issue a Further Notice of Proposed Rulemaking to allow all stakeholders to provide more meaningful input into how the reforms should be fine-tuned. There is no reason to rush this process; rather, there is every reason to ensure that every change that is made is well-thought and will have the intended consequences.

Summary of Positions and Table of Contents

Goals and Measurements

The FCC asks whether they should adopt the SETDA Internet and broadband connectivity goals which are Internet - 100 Mb per 1000 users by 2014 (increasing to 1 Gb per 1000 users by 2017), and broadband - 10 Gb per 1000 users by 2017.

While we support high-capacity broadband to and within our schools, we are concerned that adopting a one-size fits all approach to broadband connectivity will create a benchmark that will then be used to judge the effectiveness of the E-rate program, particularly when schools may not need these levels of bandwidth by 2017 or may not be able to afford it, even with E-rate discounts.

We generally understand and agree with the theory that if the broadband exists, the teaching models will adjust and the broadband will be used because there won't be any network constraints – what some call the 'build it and they will come' theory. If such broadband goals are adopted by the Commission and schools use them to establish their own broadband goals and subsequently apply for such large amounts of broadband, the FCC nor USAC can then ever ask an applicant why their E-rate requests are so high. Meaning, if a school applies for funding to meet these goals, even if their needs haven't yet caught up, then the Administrator or auditor cannot judge applicants harshly for having an extraordinarily large E-rate funding request.

Adjustment to Funding Priorities

The FCC proposes to update the current E-rate priorities so that high-capacity broadband and the associated equipment needed to disseminate that broadband to and within those buildings becomes Priority 1, and all other services (including voice service, webhosting, e-mail, basic maintenance) would become Priority 2, phased out or eliminated.

While most of PA's public schools have broadband to the building, except for a few pockets of our rural state where it is cost prohibitive to bring broadband to certain schools, many – if not most - schools are still lacking wireless connectivity within the building. In addition, only a few PA public schools have qualified for internal connections funding for networking equipment since the program's inception. However, we are deeply concerned that by shifting voice service to Priority 2, it is essentially eliminating it from eligibility because the reality is that no funding will be available after all Priority 1 requests are funded. This would be a severe hardship on PA's schools that rely on this funding.

But more importantly, if internal connections are shifted to Priority 1 along with broadband and internet access services, the demand for P1 will increase so much that there simply will not be enough funds available, even if the cap is raised to $7 billion. What happens then? Will there be proration required for Priority 1? Will Priority 1 funding be subjected to a prioritization system, as there is for the current Priority 2 funding? <u>Asking schools to sign long-term fiber/broadband contracts that they absolutely cannot afford without annual E-rate funding, and then telling them they will only receive a portion of what they requested or won't receive funding at all that year cannot be an option, under any circumstances.</u> We ask the

Commission to strongly consider this issue before lumping together broadband/internet recurring services contracts with one-time equipment purchases.

Therefore, PAIU would support adjusting the E-rate funding priorities to place an emphasis on broadband connectivity, conditioned on the following modifications:

Priority 1A – Broadband and internet access recurring services and the associated installation charges. There should be no changes to the discount matrix for this category because of the high cost of broadband and the existing long-term commitments that schools have made based on the established discount matrix. All eligible requests must be funded, every year.

Priority 1B – Broadband equipment, consisting only of routers, switches, wireless access points, and internal data cabling and the associated installation charges. The discount matrix should be changed so that maximum discount is 70% and all other discount rates are adjusted downward 20%, with no one receiving less than 20% discount. By reducing the maximum discount rate there are several goals achieved – there will be less of an incentive to purchase unneeded equipment simply because it's too good of a deal to pass up, and there will be less E-rate funding needed for P1B requests, thus spreading the funding to more applicants and services.

Priority 2 – Voice services, including cellular service. All applicants would receive a flat 40% discount, regardless of location or poverty level, and no Form 470 or competitive bidding would be required. Voice services should not be eliminated, whether intentionally or simply by moving them to a lesser priority, before funding year 2017 to allow school budgets time to absorb the impact.

Most importantly, Priority 1B equipment/wiring/installation funding must be available to **all** applicants on a predictable basis. Because we believe the reality is that there will never be enough funding for both Priority 1A and Priority 1B requests in the same funding year, applicants must know well in advance which E-rate funding year they will receive P1B funding. Not only is this important from a budgetary standpoint, but it's critical for schools to conduct solid technology planning. This can be achieved several ways, but the most predictable way would be to have a rotation plan for which each school knows which funding year they can expect to apply for and receive funding. A Further NPRM would be the appropriate venue to flesh out the details of such a rotation plan system.

Fiber Deployment

The Commission asks what the barriers are to fiber deployment and, naturally, the greatest barrier is cost. The cost to deploy fiber where none currently exists is arbitrary and depends on geography, pole access/lease space, mountains, state parks and national forest land, rivers, etc. One service provider in PA estimated the average cost to be between $10,000 - $30,000 per mile. When a school district is 400 square miles, it is easy to understand why fiber deployment is unattainable for our most remove schools.

Certainly, in larger populated areas, even where no fiber currently exists, the costs are less because vendors know that there will be additional demand for the new fiber from other local customers.

The only way that such fiber connectivity is affordable is by signing multi-year contracts. The NPRM asks whether applicants should be restricted to signing 3 year contracts and the answer is an absolute 'no.' In fact, the only way for any school or library to afford leased high-capacity broadband is by signing a contract of at least 5 years, and in some cases 10 or 20 years.

Additionally, applicants should be permitted to receive E-rate discounts on not only the lease but the outright purchase of fiber if it is more cost effective to do so. In PA we have had several school districts choose to purchase fiber instead of lease it because the total cost of ownership is so much less – even when factoring in the fact that they would receive no E-rate discounts on the fiber. For example, the Red Lion Area School District purchased approximately 3 ¼-mile runs of dark fiber to connect three facilities. The total one-time cost was approximately $30,000 with no additional recurring costs besides and equipment support contracts and repair, should fiber lines be damaged.

Beyond the purchase of fiber, the Commission should also regard the purchase of microwave equally to the purchase of fiber. In many cases, purchasing microwave is the most cost effective technology for schools in rural areas and even those in non-rural areas who encounter extremely high vendor telephone pole lease costs or where the poles are too full.

The Commission asks if there's anything they can do to reduce recurring costs over time by altering any of its policies. Unfortunately, the E-rate policies unintentionally contributed to a high, long-term cost of fiber due to the fact that the E-rate program continues to pay the monthly recurring charges at the same rate for the life of the fiber. Prior to and in the early years of E-rate, fiber contracts were structured much differently. Figure A is an actual fiber payment schedule from 2006, showing how the cost of fiber in the first 5 years was $6463/month, and months 61 - 180, the cost dropped to $1306/month to pay for a fiber maintenance fee and pole rental costs (subject to a COLA adjustment). The cost structure was based on the premise that the network was paid off after 5 years.

Figure A

DES Exhibit B: Leasing Schedule — 60 Month Term

Years 1 thru 5		Years 6 thru 10		Years 11 thru 15		Years 16 thru 20	
Month	Monthly Recurring	Month	Monthly Recurring	Month	Monthly Recurring	Month	Monthly Recurring
1	$ 6,463	61	$ 1,306	121	$ 1,306	181	$ 1,306
2	$ 6,463	62	$ 1,306	122	$ 1,306	182	$ 1,306
3	$ 6,463	63	$ 1,306	123	$ 1,306	183	$ 1,306
4	$ 6,463	64	$ 1,306	124	$ 1,306	184	$ 1,306
5	$ 6,463	65	$ 1,306	125	$ 1,306	185	$ 1,306
6	$ 6,463	66	$ 1,306	126	$ 1,306	186	$ 1,306
7	$ 6,463	67	$ 1,306	127	$ 1,306	187	$ 1,306
8	$ 6,463	68	$ 1,306	128	$ 1,306	188	$ 1,306
9	$ 6,463	69	$ 1,306	129	$ 1,306	189	$ 1,306
10	$ 6,463	70	$ 1,306	130	$ 1,306	190	$ 1,306
11	$ 6,463	71	$ 1,306	131	$ 1,306	191	$ 1,306
12	$ 6,463	72	$ 1,306	132	$ 1,306	192	$ 1,306
13	$ 6,463	73	$ 1,306	133	$ 1,306	193	$ 1,306
14	$ 6,463	74	$ 1,306	134	$ 1,306	194	$ 1,306
15	$ 6,463	75	$ 1,306	135	$ 1,306	195	$ 1,306
16	$ 6,463	76	$ 1,306	136	$ 1,306	196	$ 1,306
17	$ 6,463	77	$ 1,306	137	$ 1,306	197	$ 1,306
18	$ 6,463	78	$ 1,306	138	$ 1,306	198	$ 1,306
19	$ 6,463	79	$ 1,306	139	$ 1,306	199	$ 1,306
20	$ 6,463	80	$ 1,306	140	$ 1,306	200	$ 1,306
21	$ 6,463	81	$ 1,306	141	$ 1,306	201	$ 1,306
22	$ 6,463	82	$ 1,306	142	$ 1,306	202	$ 1,306
23	$ 6,463	83	$ 1,306	143	$ 1,306	203	$ 1,306
24	$ 6,463	84	$ 1,306	144	$ 1,306	204	$ 1,306
25	$ 6,463	85	$ 1,306	145	$ 1,306	205	$ 1,306
26	$ 6,463	86	$ 1,306	146	$ 1,306	206	$ 1,306
27	$ 6,463	87	$ 1,306	147	$ 1,306	207	$ 1,306
28	$ 6,463	88	$ 1,306	148	$ 1,306	208	$ 1,306
29	$ 6,463	89	$ 1,306	149	$ 1,306	209	$ 1,306
30	$ 6,463	90	$ 1,306	150	$ 1,306	210	$ 1,306
31	$ 6,463	91	$ 1,306	151	$ 1,306	211	$ 1,306
32	$ 6,463	92	$ 1,306	152	$ 1,306	212	$ 1,306
33	$ 6,463	93	$ 1,306	153	$ 1,306	213	$ 1,306
34	$ 6,463	94	$ 1,306	154	$ 1,306	214	$ 1,306
35	$ 6,463	95	$ 1,306	155	$ 1,306	215	$ 1,306
36	$ 6,463	96	$ 1,306	156	$ 1,306	216	$ 1,306
37	$ 6,463	97	$ 1,306	157	$ 1,306	217	$ 1,306
38	$ 6,463	98	$ 1,306	158	$ 1,306	218	$ 1,306
39	$ 6,463	99	$ 1,306	159	$ 1,306	219	$ 1,306
40	$ 6,463	100	$ 1,306	160	$ 1,306	220	$ 1,306
41	$ 6,463	101	$ 1,306	161	$ 1,306	221	$ 1,306
42	$ 6,463	102	$ 1,306	162	$ 1,306	222	$ 1,306
43	$ 6,463	103	$ 1,306	163	$ 1,306	223	$ 1,306
44	$ 6,463	104	$ 1,306	164	$ 1,306	224	$ 1,306
45	$ 6,463	105	$ 1,306	165	$ 1,306	225	$ 1,306
46	$ 6,463	106	$ 1,306	166	$ 1,306	226	$ 1,306
47	$ 6,463	107	$ 1,306	167	$ 1,306	227	$ 1,306
48	$ 6,463	108	$ 1,306	168	$ 1,306	228	$ 1,306
49	$ 6,463	109	$ 1,306	169	$ 1,306	229	$ 1,306
50	$ 6,463	110	$ 1,306	170	$ 1,306	230	$ 1,306
51	$ 6,463	111	$ 1,306	171	$ 1,306	231	$ 1,306
52	$ 6,463	112	$ 1,306	172	$ 1,306	232	$ 1,306
53	$ 6,463	113	$ 1,306	173	$ 1,306	233	$ 1,306
54	$ 6,463	114	$ 1,306	174	$ 1,306	234	$ 1,306
55	$ 6,463	115	$ 1,306	175	$ 1,306	235	$ 1,306
56	$ 6,463	116	$ 1,306	176	$ 1,306	236	$ 1,306
57	$ 6,463	117	$ 1,306	177	$ 1,306	237	$ 1,306
58	$ 6,463	118	$ 1,306	178	$ 1,306	238	$ 1,306
59	$ 6,463	119	$ 1,306	179	$ 1,306	239	$ 1,306
60	$ 6,463	120	$ 1,306	180	$ 1,306	240	$ 1,306

Note:

Maintenance is subject to COLA effective month 61

When vendors realized that the E-rate program would pay for the initial MRC amount and not require any drop in costs after the initial build-out was paid off, they all restructured their pricing so that when the network is rebid after the initial 5-year term, the price remains at the same MRC amount as the first five years. We ask the Commission to consider establishing some parameters around the presumption that fiber networks are paid off after 5 years, and E-rate will only pay 10 or 20% of the original MRC thereafter for fiber maintenance costs and monthly pole rental fees. Only with this policy restriction will fiber vendors begin to restructure their post-5 year pricing back to realistic rates.

Higher Discounts for Construction Charges

The Commission asks if there should be a higher discount for special construction charges to enable schools to take advantage of high-capacity broadband. While this sounds appealing, the reality is that vendors will simply front-load their non-recurring/construction charges because those charges will receive a higher discount – something we know well from our experience with Pennsylvania eFund grant. In reality, there is no real way to police whether the NRCs are justified. As an alternative, PAIU suggests a special fund be created to which schools can apply to help offset the high build-out costs, similar to special education high cost aid programs that many that state departments of education operate where schools can apply for added funding when individual special education costs exceeded a certain dollar threshold per student.

Currently, vendors can apply to the Connect America Fund to fund broadband in underserved areas, but many providers do not take advantage of the money because their profit margins are higher in cities and more densely populated areas. We believe a portion of the Connect America Fund money should be set aside for school and library broadband build-out which could be used if costs for a single site are above a certain dollar amount. This would not only help achieve broadband build-out to educational institutions but also would provide a greater need for the currently under-used Connect America Fund.

Adjustments to Eligible Services

Internal Connections

As previously stated, we support the Commission's refinement of the eligible internal connections. If the goals are broadband connectivity, then we believe that only equipment that directly supports broadband, namely routers, switches, wireless access points, and internal data cabling and the associated installation, should remain eligible. All other internal connections such as VOIP equipment, video equipment, UPSs, and servers should become ineligible. Further, although maintenance plans on any equipment are a necessity in today's wired world, we believe that such maintenance should be part of the local effort of a school. We unfortunately reached this conclusion due to the inherent abuse that comes with such subjective service plans. A manufacturer's warranty, if provided at no additional cost, should not be required to be cost allocated.

Filtering Services

Further, while for 12 years we have asked that filtering service be made an eligible service because it's an unfunded mandate, if the Commission is asking us to make tough choices, then we support no additions to the eligible services list, including filtering. Should filtering become an eligible service, we believe we would quickly find ourselves in the same situation as webhosting, in that there is a large amount of ineligible services now bundled with filtering services and a cost allocation would be difficult to attain or it would be claimed to be "95% eligible."

Broadband to the Home

We also share the same position with regard to eligibility of broadband to the home. Many intermediate units and school districts conduct virtual classes for their students and it is widely accepted that the school day no longer ends at 3:00. Allowing students to continue their studies online after school hours is becoming the norm and as such, students need access to broadband outside of school. But we also realize that E-rate cannot meet every need and the funding isn't available to fund the needs of the schools, let alone the homes of our students. We recommend that home connectivity be a focus for a different universal service program or private initiatives such as Internet Essentials and allow the critical E-rate funding be applied to the service and equipment needs at the school buildings before moving to home connectivity.

Phasing Out Services

The FCC also proposes to phase out support for a number of specific services including paging, wireless text messaging, directory assistance, custom calling features, inside wiring maintenance plans, call blocking, 800 number services. Before we comment on the eligibility for specific services, we want to express our concerns with the plan to 'phase' out any service. We presume that by phasing out a service, support would be lessened over the next few years, with the eventual elimination of the service in 3 or 4 years. We oppose any plan to phase out or ramp down support for a service simply because it will be too confusing for applicants, not to mention how difficult it will be for USAC to administer. Should the Commission wish to eliminate a current Priority 1 service, they should simply eliminate the service, but beginning no sooner than Funding Year 2017.

Paging and Other Features

Support for paging services can easily be eliminated because it is billed separately and would not require any cost allocation on the part of the applicant or service provider. However, for the other 'charges' that the Commission proposes to eliminate -- wireless text messaging, directory assistance, custom calling features, inside wiring maintenance plans, call blocking, and 800 number services – we oppose any efforts to do so. These specific services (charges) are almost entirely ancillary and which provide a minimal demand on the fund. But more importantly, these charges are embedded on the vendor phone bills and it would take a significant amount of time for applicants and service providers to deduct these charges during BEAR and SPI calculations, let alone the time PIA would spend having to cost allocate these charges. One of the FCC's main goals is streamlining the E-rate program, yet by eliminating the eligibility of these charges, the Commission is adding unneeded complexity.

Other Invoice Charges

We would go even further and say that all fees and surcharges that telecommunications carriers place on phone bills should be deemed E-rate eligible. These fees are a minimal amount of the overall monthly bill yet they have become an enormous administrative burden on the program. Schools and libraries are compelled to review every line of every bill, many of which are hundreds of pages each month, to identify which of these small fees must be cost allocated and removed from their BEAR reimbursement or their Form 471 request. This task is further complicated when the school or library personnel try to decipher which charges are eligible and which are not because there is no consistent naming conventions between carriers and no comprehensive list of which charges are eligible and which are not. PIA and invoice reviewers spend a disproportionate amount of time weeding through Item 21 attachments and invoices, posing follow-up questions, to ensure that none of these rather miniscule charges are included as part of authorized funding or disbursement. Moreover, there is no statutory imperative underlying the current prohibition against funding these charges. The Commission certainly has the legal discretion to deem these incidental charges to be eligible.

For example, a small, simple AT&T long distance bill lists the following items under Surcharges:

- Federal Universal Connectivity Charge
- Administrative Expense Fee
- Property Tax Allotment
- Federal Regulatory Fee

To anyone who is not a USAC Invoice Team Reviewer or account manager for AT&T, the eligibility of these charges is difficult to determine. In fact, even representatives of these companies often are unsure whether such charges are eligible for E-rate funding or not. To further use the AT&T example, schools and libraries have no choice as to whether these fees are assessed, as the company is passing through the charges to cover their expenses of doing business. We are not arguing that companies should not have the right to pass along these charges, although one could do just that for the USF administrative fees, but rather that such fees are required by the phone companies and are not optional. They are no different than a tax that is being imposed, and all taxes are eligible for E-rate discounts. Another way of looking at it is that most of these services are already eligible and receiving E-rate support. This is because many companies have billing systems that bundle all of these charges in with their usage charges or monthly recurring charges, and therefore they are and have been eligible for E-rate support for many years. School and library customers of telecommunications companies that have not adopted this bundled billing philosophy should not be penalized and be made to cost allocate these charges.

We should note that taxes and surcharges are applied not only to voice bills, but also to broadband invoices. We encourage the Commission to adopt all taxes and surcharges as E-rate eligible as part of their efforts to streamline the E-rate program. The impact to the fund will be negligible, but the cost savings to applicants and the Administrator will be significant.

VOIP

We do not believe it is fair to de-prioritize or eliminate local and long distance/cellular service yet consider hosted VOIP a Priority 1 service. If a school wishes to have voice calls ride over their broadband lines, this, indeed, should be an eligible usage of those connections. But traditional voice and hosted VOIP must be treated equally under the rules of the program.

Children's Internet Protection Act (CIPA)

Obviously, technology has drastically changed since the Children's Internet Protection Act (CIPA) was adopted in 2000 and the question of how to ensure the original statute is correctly applied to the newest technologies is valid. PAIU opposes any efforts to more broadly interpret the original CIPA law. We believe that the FCC's original interpretation of the law still holds true today -- only school-owned devices using E-rate subsidized Internet should be required to be filtered.

We should note that nothing precludes a school or library from having more restrictive filtering policies. For example, local school districts could set restrictions on a student using his or her personal tablet with a non-District-funded Internet access data plan so that such devices must be filtered if they are being used on campus. But this is a local decision that would be addressed in each school's Acceptable Use Policy, not one required by FCC rules.

District-Wide Discount Calculations

We support changing the manner in which school districts calculate their E-rate discounts to be based on a simple average of the District's NSLP enrollment whereby a district would receive a straight matrix discount. Such a change would simplify the discount calculation process for schools, as well as for consortia applications. School district taxes bases are based on an entire district population, not just those of a subset of schools. We believe the revised district-wide discount formula makes sense because it's based on a districts actual accounting practices and organizational structures.

It's important that this change be done comprehensively whereby no school building names are required to be listed on the Block 4 – simply the total number of students enrolled and the total number of students eligible for free and reduced lunch. School districts should be able to apply for all services (Priority 1A and 1B) using the district-wide discount; no building discounts would apply. If implemented in this way, the benefits will be significant for both the applicant and USAC:

- Applicants won't have to spend time populating building names/data into the Form 471 each year.
- PIA won't be required to conduct a building-by-building discount analysis on every application.
- The practice of repeatedly asking an applicant if a building has closed or will be closing and then expecting a cost allocation to be performed can be eliminated.
- The transfer of equipment procedures can be eliminated. Schools will be permitted to transfer equipment from building to building without restriction because there will no longer be building discounts and "90% funded" equipment and "80% funded" equipment.
- Because districts would no longer be required to separately identify each non-instructional facility (NIF) in Block 4, the additional NIF certifications that have been imposed on applicants would no longer be necessary. Instead, applicants simply would be required to certify that shared services will be provided only to eligible schools and eligible non-instructional facilities as part of the Block 6 Certifications on FCC Form 471.

As consortia leaders, PAIU and its members cannot stress enough how much a school closing, or the consideration of a school closing, can have a delay on not only a district's E-rate application, but also the regional consortia application as well. PIA reviews would much rather review applications that don't require extensive outreach, thus pushing applications with potential school closures to the bottom of the review deck. By eliminating the listing of individual buildings on the Form 471, it would remove this additional outreach and these school district applications and their regional consortia applications could be reviewed and funded much more expeditiously.

Definition of Educational Purposes

The Commission asks whether the definition of "educational purpose" should be narrowed so that services only qualify for E-rate if they are used for the core purpose of educating students and serving library patrons, and services used for administrative purposes would not qualify? PAIU strongly opposes any attempt to narrow the definition of educational purpose that would in any way limit, restrict or eliminate funding for administrative services, including services provided to educational service agencies, school district administrative buildings, bus barns, food service facilities, teacher training facilities, etc. Prior to the Second Report and Order (2003), applicants were pressed by PIA to justify whether certain services were only being used by teachers and head administrators. In fact, lists of titles of people using certain services were required to be submitted to PIA for scrutiny and eventual cost allocation. It was one of the most unpleasant procedures USAC has ever implemented and for which schools were subjected. The Commission correctly opined in the Second Report and Order that 'Activities that occur on library or school property are presumed to be integral, immediate, and proximate to the education of students or the provision of library services to library patrons.' We concur. For example, school bus barns may not be considered schools, but most districts have extensive bus programs for tracking and scheduling. Having these buildings connected to a district's broadband network is imperative in this current world where safety of students is equally as important as educating them. Returning to the days of PIA asking "is this service administrative or educational" would be entirely counter to the FCC's goal of streamlining the program.

Increase to Funding Cap

The FCC seeks comment on whether to increase the $2.25 billion E-rate cap (temporarily or permanently) to ensure high-capacity broadband connectivity to and within schools and libraries. PAIU strongly supports an increase to the current E-rate funding cap on a permanent basis. Without such an increase, nearly none of the broadband goals the Commission seeks to achieve will be possible. However, we hope the Commission considers these two significant points:

1) The E-rate program cannot be turned into a stimulus grant whereby a large amount of funding is made available in a single shot, only to have that money disappear after a few years. Unless most of the applicants purchase their networks outright and never have equipment that needs replaced, the demand for broadband connectivity funding will not diminish after five years. Therefore any increase that's implemented must be permanent.

2) The FCC cannot set a new E-rate funding cap until it knows what the demand will be for the new eligible services. We can no longer have an arbitrary funding cap that doesn't meet the needs of schools and libraries.

Consortia Purchasing

Pennsylvania has significant experience with consortia purchasing and demand aggregation. In 2004, Pennsylvania established the state eFund to provide a framework and a financing mechanism for upgrading broadband infrastructure in Pennsylvania's K-12 schools. It allocated $60 million over six years for telecommunications, equipment, distance education initiatives and technical support. The E-Fund was an experiment in "demand aggregation" whereby schools were encouraged to buy technology services together in order to get a better deal. The experiment worked. The E-Fund helped 678 schools across Pennsylvania increase their broadband capacity by an average of 534%. Old, expensive T1 circuits were replaced by new, affordable Ethernet access, and the number of schools using fiber optic cables more than doubled.

Despite the six-fold increase in service, the E-Fund helped keep costs under control. Overall broadband price increases were limited to 1.9% annually after inflation while the price per unit of bandwidth declined 92%. These developments encouraged a culture of collaboration as schools worked together across regional boundaries to employ their new technology resources in the classroom.

Because consortia applications were given the highest priority in the competitive review process, nearly every application submitted was that of a consortia.

We encourage the FCC to implement similar incentives for E-rate consortia funding. Currently there are disincentives for schools to join or create consortia, such as extreme delays in funding commitments, increased scrutiny due to large dollar applications, additional forms that need to be collected and the personnel cost of administering a consortia. We believe that all of these disincentives can be changed and instead recommend the following:

1. Consortia applications should be given an additional 10% E-rate discount on recurring services.
2. Consortia applications should be given higher priority in application review.
3. The Form 479 should be permitted to be collected at the same time as the Letter of Agency or allow the LOA to include the certifications required in the Form 479.

Bulk Buying

Bulk buying can lower costs, but equally as important, it can reduce administrative paperwork and contracting procedures for schools.

Deem All State Contracts as E-rate Eligible

We encourage the FCC to deem all state commodity/equipment contracts as E-rate eligible, even if no Form 470 was posted, and even if price was not the most heavily weighted factor. State purchasing power alone guarantees extremely low equipment rates. However, it is common for state contracts to be bid by agencies that cannot match the E-rate bidding and contract signing deadlines and for years, these contracts have gone unused as a result. A perfect example is the PA Co-Stars Contract, which is administered by the PA Department of General Services. Because of the strict E-rate bidding and contract signing rules, no PA school or library has ever been able to use this contract for E-rate purchases, despite the fact that the rates offered by vendors on this contract are extremely low.

Further, when schools bid equipment using a Form 470, each separate school must negotiate and sign their own contracts with each vendor and seek board approval. By purchasing from the State Contract, they can rely on the state-negotiated Terms and Conditions and simply obtain a vendor quote in order to file the Form 471, thus cutting off 2-3 months of added administrative time. State contracts are developed so individual state agencies don't have to negotiate terms and pricing with vendors and sign individual contracts. In PA, schools are permitted to piggy-back off of these state contracts. The FCC should permit schools to take advantage of these processes that have been established.

Repeal Queen of Peace

Finally, the Commission should immediately repeal the Queen of Peace restrictions for state master contracts. When this decision was issued in October 2012, it required all Form 470s/RFPs to use the words "or equivalent" which nullified all state master contracts for community products because such contracts bid dozens or hundreds of product lines and therefore cannot use the term "or equivalent" in its bidding documents. We do not believe the Commission originally intended for Queen of Peace to invalidate all state master contracts, but this has been the result. The intent of Queen of Peace was to ensure that schools had the opportunity to purchase equivalent products that may be less expensive and not restrict themselves to a single vendor responding to an RFP. In our opinion, state master contracts that contain dozens or hundreds of equivalent manufacturer's product lines provide this opportunity and therefore meet this test.

Streamlining E-rate

PAIU supports the Commission's efforts to streamline the program, including requiring all forms and USAC correspondence to be submitted and sent electronically; providing more detailed and comprehensive funding statuses throughout the application process; accelerating the review of applications and issuance of commitment decisions; and removing the Form 471 distinction between telecommunications services and Internet access.

In addition, PAIU suggests the following additional actions the Commission could take to truly streamline the E-rate process.

- Allow Form 479's to be collected on a multi-year basis that coincides with the Letter of Agency. Currently, Form 479s must be collected from consortium members on an annual basis, thus placing one additional administrative burden on consortia leaders. By allowing 479's to be collected at the same time the multi-year Letters of Agency are collected would greatly streamline the E-rate application process for consortia and their members. Alternatively, the certifications required on the

Form 479 could simply be allowed to be embedded on the Letter of Agency, thus eliminating one required consortia form entirely.

- Allow the Form 486 functions to be embedded on the Form 471. Currently, the Form 486 is used to certify technology plan compliance (for P2 applicants), certify CIPA compliance, and to let USAC know that service has begun or will begin prior to July 30. If the Form 486 is submitted after 120 days from the service start date or funding commitment letter date (whichever is later), USAC deducts 1/365th worth of funding for each day the Form 486 is late. In most cases, school districts could certify all of these requirements when the Form 471 is submitted and not run the risk of forgetting to submit this form and be penalized by having their E-rate funding commitments rescinded.

We strongly support considerations to lesser recovery actions for rule violations. For those applicants that have committed fraud on the program, we have little sympathy. But with so many rules, is nearly impossible for applicants to know every one and thus the chances that a rule will be broken inadvertently are high. Full or even partial recovery for most rule infractions is overkill and we welcome any relief the Commission can provide in this regard. The January 2009 letter to USAC which provided initial relief was a step in the right direction.

We are concerned with any attempt to limit the E-rate appeal options for schools. We understand the Commission receives a significant number of appeals each month and the administrative burden this requires to review each one is large. We suggest that delegated authority be given to USAC to decide on appeals for which the Commission has previously opined.

PAIU agrees that BEAR payments should directly be sent from USAC to applicants as an additional way to streamline the program, for both applicants and service providers.

The Commission also asks why funds go unused and how can USAC identify and de-obligate those funds more quickly. One of the great myths about the E-rate program from those who don't apply is that the E-rate funds are wasted because funds go unspent each year. In reality, there are several valid reasons that applicants don't collect their E-rate funding commitments each year:

- Variable monthly charges, such as long distance charges, come in less than anticipated;
- Vendors are late in turning-up service so the applicant is only charged for a fraction of the year instead of the full 12 months;
- Applicants forget to file the annual Form 486 and USAC therefore rescinds their funding;
- Basic maintenance commitments are now based on estimates of what maintenance hours and replacement equipment will be needed for the coming year. When equipment doesn't need repaired during the year, the commitment goes unspent.

But one of the biggest underlying reasons why funds go unspent is because funding commitments are issued on or after July 1. When an E-rate contingent request for a recurring service is funded later in the funding year, it means service cannot begin on July 1 and therefore the fund is only charged for a portion of the year. Late commitments for internal connections equipment lead to several reasons that an applicant spends less than originally intended:

- Prices are lower when actual purchases occur 18+ months later because of the rapid change in technology;
- Applicants no longer can afford the non-discount cost because the budgeted amount has been taken for another educational purpose because the funding appears not to be used;

- Basic maintenance requests become obsolete because the equipment which is proposed to be maintained is funded after June 30 of the funding year. Basic maintenance requests are required to be considered recurring services and because the rules do not allow maintenance requests to align with the 12 months following the purchase of the equipment, the funding is lost after the funding year closes.

Although we are concerned about any attempt to de-obligate funding prematurely, one simple way to recapture unspent E-rate funds would be to place a checkbox on the BEAR and SPI forms that ask if this is the final invoice form that will be submitted for the funding year. If the box is checked (along with a large notice of what checking the box will mean), the remaining funds on that FRN will be deemed eligible for immediate recapture.

In addition, if the Commission wishes applicants to de-obligate an entire unspent FRN, it should make filing the Form 500 a much easier process for applicants. Currently, this form cannot be filed online and the paper form is not available from USAC in a "type-in" format, thus requiring applicants to either find a typewriter, or complete the three required pages by hand.

Multi-Year 471s

The FCC proposes to have PIA only review the first year of a 3-year contract, provided there were no changes to the contract or recipients of service in the second and third years of the contract. In the second and third years, applicants would still have to request E-rate funding via the Form 471, but their contracts would not be subject to PIA review. PAIU supports this reform to the application review process and further supports multi-year funding commitments. We hope that the changes envisioned with the USAC IT Modernization Plan could be incorporated into this streamlining proposal so that applicants could simply log-into their portal, and click on a button to confirm they are retaining their E-rate funding for the next year.

Authorized Signatories

The FCC proposes to require E-rate applications be required to be signed by a person with authority equivalent to that of a corporate officer. PAIU opposes efforts to restrict E-rate applications to be signed only by a school officer as this should be a local decision as to who is permitted to sign such applications. Many schools are lucky just to find someone to want to tackle the E-rate responsibilities, let alone ask that person to track down the superintendent or business manager each time a form is submitted. If it is the Commission's intention to restrict E-rate consultants from signing forms, we are supportive of this effort.

Thank you for your consideration of our comments.

Respectfully submitted,

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